

Message Text

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TO AMEMBASSY MANILA PRIORITY

C O N F I D E N T I A L STATE 034889

E.O. 11652:GDS

TAGS:ETRD, RP

SUBJECT: COTTON CONTRACT PROBLEM

REF: (A) MANILA 1792 (B) STATE 19644

(C) TDFIRDB-315/07079-75

1. WE ARE HAVING DIFFICULTY RESPONDING TO PROPOSAL

CONTAINED REF (A) BECAUSE ASST. SEC. YEUTTER WAS TOLD UN-
EQUIVOCALLY BY DBP CHAIRMAN VIRATA THAT CONTRACTS WOULD
BE FULLY HONORED (REF B). VIRATA'S STATEMENT IMPLIED CON-
TRACTS WOULD BE HONORED WITHOUT UNDUE DELAY AND ADDITIONAL
CCC CREDITS WERE NOT MENTIONED.

2. OUR LATEST FIGURES INDICATE ONLY 4.8 MILLION OF
EXISTING CCC CREDIT HAS BEEN UTILIZED AS OF FEB. 10 WHICH IS
IN ROUGH AGREEMENT WITH FIGURE CITED IN REF (C). PHILIP-
PINOS HAS UTILIZED A SMALLER PERCENTAGE OF THE CREDIT LINE
AND HAS A LARGER PERCENTAGE OF CONTRACTS OVERDUE THAN
ANY OTHER COUNTRY. IN ADDITION, CCC CREDIT ALREADY
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PROVIDED WOULD COVER A LARGER PERCENTAGE OF OUTSTANDING

COTTON CONTRACTS THAN FOR ANY OTHER COUNTRY.

3. IN THIS SITUATION, THERE IS STRONG RESISTANCE HERE TO
GRANTING ADDITIONAL CCC CREDITS THIS FISCAL YEAR AS WELL AS

CONSIDERABLE CONCERN THAT VIRATA'S STATEMENT TO ASST. SEC.
YEUTTER IS NOT REFLECTED IN GOP PROPOSAL. WE ARE WILLING
TO CONSIDER CCC CREDIT NEXT FISCAL YEAR IN RETURN FOR
WRITTEN AGREEMENT FROM GOP THAT MILLS WILL HONOR EXISTING
CONTRACTS WITHOUT DELAY. REQUEST EMBASSY'S COMMENT ON
WHETHER OR NOT IT BELIEVES SUCH AN AGREEMENT CAN BE
OBTAINED FROM GOP. INGERSOLL

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